PUBLIC DISCLOSURE

October 13, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grand Valley Bank
Certificate Number 24922

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Heber City, Utah 84032

Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
Dallas Regional Office

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Dallas, Texas 75201

TABLE OF CONTENTS

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of ***Grand Valley Bank, Heber City, Utah,*** *prepared by the* ***Federal Deposit Insurance Corporation****, the institution's supervisory agency, as of* ***October 13, 2010.*** *The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION

INSTITUTION'S CRA RATING: **This institution is rated: *__Satisfactory__*.**

Some level of satisfactory performance regarding the bank's loan distributions primarily supports the overall rating. For CRA Small Banks, typically, once a bank demonstrates at least satisfactory performance regarding its loan-to-deposit ratio and its loan concentration inside its assessment area, examiners will then place more weight on the bank's records of distributing its loans, both geographically and based on the borrowers' profiles, when arriving at the Lending Test rating.

Since the bank did not request consideration of its investments and services, and examiners did not identify any evidence of discriminatory or other illegal credit practices, these factors did not affect the overall rating. The following points summarize conclusions, based on home mortgage and small business loans, for each applicable performance factor, which this evaluation discusses in detail elsewhere.

- The bank demonstrated a reasonable record regarding its loan-to-deposit (LTD) ratio. A reasonable overall level, at 55 percent, and a reasonable level relative to other local institutions support this conclusion.

- The institution exhibited an excellent record of concentrating its loans inside its assessment areas. Excellent records by both number and dollar volume for both of the bank's major product lines support this conclusion.

- Grand Valley Bank displayed a reasonable record of dispersing its loans based on the borrowers' profiles. A reasonable record in the State of Colorado based principally on residential real estate loans primarily supports this conclusion.

- The bank achieved an adequate record of geographically distributing its loans throughout its assessment areas. An adequate record in the State of Colorado based principally on residential real estate loans primarily supports this conclusion.

- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

SCOPE OF EXAMINATION

This evaluation covers the time period from February 25, 2008, to October 13, 2010, the date of the previous Office of the Comptroller of the Currency (OCC) evaluation to this evaluation's date. To evaluate performance, examiners applied the CRA Small Bank performance factors: loan-to-deposit ratio, lending concentration inside the assessment area, loan distribution based on the borrowers' profiles, geographic loan distribution, and response to consumer complaints.

CRA Small Bank procedures require examiners to determine the bank's major product lines from which to sample, and as an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgages, small business, small farm, and consumer loans. Based on origination and purchase data, home mortgage loans and small business loans represented the bank's major product lines. Small farm loans and consumer loans each represented a relatively minor proportion of the institution's lending activity. Therefore, since such a review of these product lines would not affect any conclusions or ratings, this performance evaluation did not discuss these credits.

The table below shows the bank's lending activity for its two major product lines; home mortgage loans, those reported on the bank's 2008 and 2009 HMDA-Loan Application Registers (LARs); and small business loans originated from January 1, 2009, through June 30, 2010.

Table 1 - Loan Originations & Purchases				
Loan Type	**Number**	**Percent**	**Dollar Amount (000)**	**Percent**
Home Mortgage	198	73.1	$38,344	77.7
Small Business	73	26.9	$10,985	22.3

Based on this lending emphasis, examiners considered all of the 2008 and 2009 HMDA-LAR loans reflected in the table above, as well as samples of the small business loans. From the universe of small business loans seen in the table above, examiners sampled 24 loans totaling $1,681,982 originated in Colorado, and 24 loans totaling $6,834,267 originated in Utah.

The bank operates a total of three offices in three assessment areas in two states: 1) Colorado – Grand Junction Metropolitan Statistical Area (MSA), consisting of Mesa County; and 2) Utah – Uintah County, office in Vernal; and Wasatch County, offices in Heber City and Midway. Both Utah counties are designated as non-metropolitan areas (non-MSAs). The following table shows certain activity levels for each state.

Table 2 - State Weighting			
State	**% of Loans**	**% of Deposits**	**% of Branches**
Colorado	79.9	77.4	57.1
Utah	20.1	22.6	42.9

Based on the above table, examiners weighted performance in Colorado more heavily when arriving at overall ratings. Examiners performed full-scope procedures for all assessment areas.

DESCRIPTION OF INSTITUTION

Background
Grand Valley Bank operates as a full service commercial bank headquartered in Heber City, Utah, with offices in western Colorado and northeastern Utah. Grand Valley Corporation (GVC), a closely-held bank holding company, wholly owns the bank. Two partnerships control GVC; Sagebrush Partners LLP, which owns 51 percent of GVC, and Porter Mountain III LLP, which owns 30 percent of GVC. Various investors own the remaining 19 percent of GVC.

Senior management oversees the main operations of the bank from its main office located in Grand Junction, CO. The bank operates seven full-service offices: four in the Grand Junction MSA, Mesa County, Colorado, and three in Utah, one in Uintah County and two in Wasatch County. The bank maintained automated teller machines throughout the assessment areas, all only providing cash dispensing services. Three of the Colorado and two of the Utah locations allowed Saturday banking.

Ability and Capacity
As of June 30, 2010, the bank reported nearly $254 million in total assets. The following table shows that securities and loans dominated the bank's asset mix. Total assets decreased by approximately $8 million, gross loans by approximately $20 million, and total deposits by approximately $14 million since the previous evaluation.

Table 3 – Asset Distribution as of June 30, 2010		
Asset Category	**Dollar Amount $ (000)**	**Percent of Total Assets (%)**
Cash	9,062	3.6
Securities	124,302	49.0
Loans & Leases	110,855	43.6
Premises & Fixed Assets	4,079	1.6
Other Real Estate Owned	1,241	0.5
Other Assets	4,412	1.7
Total Assets	**253,951**	**100.0**

As reflected in the following Loan Distribution Table, commercial loans at 45 percent represented the largest percentage of outstanding loans as of June 30, 2010.

Table 4 – Loan Distribution as of June 30, 2010		
Loan Category	**Dollar Amount $ (000)**	**Percent of Total Loans (%)**
Construction and Land Development	19,432	17.0
Secured by Farmland	15,071	13.2
1-4 Family Residential	19,745	17.3
Multifamily	1,328	1.2
Commercial Real Estate	43,213	37.9
Total Real Estate Loans	**98,789**	**86.6**
Commercial and Industrial	8,075	7.1
Agricultural	5,704	5.0
Consumer	1,472	1.3
Other	6	<0.1
Less: Unearned Income	46	<0.1
Total Loans	**114,092**	**100.0**

Source: June 30, 2010, Call Report, Schedule RC-C

The bank did not perform any branching or merger and acquisition activities since the previous evaluation, including closing any branches. The institution received a Satisfactory rating at its previous February 25, 2008, OCC evaluation. The institution's financial condition, size, product offerings, prior performance, and legal impediments did not affect the bank's ability to meet the assessment areas' credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Loan-to-Deposit Ratio

The bank demonstrated a reasonable record regarding its loan-to-deposit (LTD) ratio. A reasonable overall level and a reasonable level relative to other local institutions support this conclusion. Examiners considered the bank's size, business strategy, and capacity relative to the assessment areas' credit needs when arriving at this conclusion.

The overall level of the bank's average, net LTD ratio reflected reasonable performance. For the 10 quarters since the previous evaluation, the bank recorded a 54.6 average, net LTD ratio, which slightly exceeds the 51 percent average ratio noted at the previous CRA evaluation. The bank's quarterly net LTD ratio remained somewhat steady from March 2008 until June 2009, reaching a high for the whole period under review by this evaluation of 58.4 percent in June 2009 and again in June 2009. The ratio then steadily declined from its June 2009 58.4 percent level to its low of 48.4 percent in June 2010.

Not fully considered in the bank's LTD ratio calculations, however, is the notable volume of residential real estate loans originated but sold into the secondary market. In 2008 and 2009, the bank originated 144 loans totaling $31,479,003 not fully captured in the LTD ratio. That volume represents over 28.9 percent of the bank's outstanding loans as of June 2010.

The bank's ratio relative to other local institutions also reflected reasonable performance. The following table lists other banks headquartered in Grand Junction, Colorado, located in the same county as the subject bank's most productive loan offices, as noted under the Scope. As seen in the following table, Grand Valley Bank's ratio trails, but remains within a reasonable range of, the other listed ratios, especially considering the volume of secondary market loans the bank originated. Consequently, based on the overall level and the level relative to other comparable institutions, the bank demonstrated a reasonable record regarding its LTD ratio.

Table 5 – Net Loan-to-Deposit Ratios		
Bank Name Location	**Total Assets (9/30/10)**	**Average Net LTD Ratio (%)**
Grand Valley Bank Heber City, UT	253,951	54.63
First National Bank of the Rockies Grand Junction, CO	374,716	61.17
Home Loan Industrial Bank Grand Junction, CO	44,226	63.60

Assessment Area Concentration

The institution exhibited an excellent record of concentrating its loans inside its assessment areas. Excellent records by both number and dollar volume for both of the bank's major product lines support this conclusion. Examiners considered the bank's asset size, office structure, and loan products reviewed relative to the assessment areas' sizes and credit needs when arriving at this conclusion.

The following table shows that the bank granted a substantial majority of both loan products inside its assessment areas. This held true for the percentages by both number and dollar volume of loans. In addition, the institution even increased its percentages by both number and dollar volume for residential loans from 2008 to 2009. Focusing on the overall high percentages within the context of the previously noted considerations, the institution exhibited an excellent record of concentrating its loans inside its assessment areas.

Table 6 – Loan Concentration Inside the Assessment Areas										
Loan Category or Type	**Number of Loans**					**Dollars of Loans (000s)**				
	Inside		**Outside**		**Total #**	**Inside**		**Outside**		**Total $**
	#	**%**	**#**	**%**		**$**	**%**	**$**	**%**	
Residential Loans:										
2008 HMDA	73	95	4	5	77	14,087	94	944	6	15,031
2009 HMDA	120	99	1	1	121	23,005	99	308	1	23,313
Subtotal	***193***	***97***	***5***	***3***	***198***	***37,092***	***97***	***1,252***	***3***	***38,344***
Commercial Loans: 2009 & 2010 (Q1& Q2)	47	98	1	2	48	8,156	99	63	1	8,219

Sources: Grand Valley Bank's HMDA LAR (2008 & 2009) and other bank records.

Borrower Profile Loan Distribution

Grand Valley Bank displayed a reasonable record of dispersing its loans based on the borrowers' profiles. A reasonable record in the State of Colorado based principally on residential real estate loans primarily supports this conclusion. Despite this emphasis in the analysis, the bank also displayed some level of satisfactory performance in both states and for both loan products reviewed.

Geographic Distribution of Lending

The bank achieved an adequate record of geographically distributing its loans throughout its assessment areas. An adequate record in the State of Colorado based principally on residential real estate loans primarily supports this conclusion. Despite this emphasis in the analysis, the bank also displayed some level of satisfactory performance in both states and for both loan products reviewed.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The examiners' review did not reveal any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Therefore, this factor did not affect the rating.

STATE OF COLORADO

CRA RATING FOR Colorado: ***Satisfactory***

A reasonable record of distributing loans based on the borrowers' profiles and an adequate record of geographically distributing loans support the overall rating for the State of Colorado.

SCOPE OF EXAMINATION

Since the bank only operated in one assessment area, the Grand Junction MSA, in the State of Colorado, examiners applied full-scope procedures to this sole assessment area. Covering the same time period discussed under the Institution's Scope, the following table shows that the bank's lending emphasis in Colorado favors home mortgage loans even more heavily than for the bank as a whole. Consequently, conclusions and ratings for the State of Colorado primarily focused on performance regarding home mortgage loans. When evaluating small business loans in Colorado, examiners considered a sample of 24 loans totaling $1,681,982 from the universe noted in the table.

Table 7 - Loan Originations & Purchases				
Loan Type	**Number**	**Percent**	**Dollar Amount (000)**	**Percent**
Home Mortgage	181	81.9	$35,000	91.4
Small Business	40	18.1	$3,301	8.6

DESCRIPTION OF INSTITUTION'S OPERATIONS IN COLORADO GRAND JUNCTION MSA (MESA COUNTY)

The bank designated one assessment area, Mesa County, in the State of Colorado. Mesa County equates to the Grand Junction MSA. The area conforms to the regulation. As previously noted, the bank's operations in Colorado included nearly 80 percent of the bank's total loans, over 77 percent of its total deposits, and four of the bank's seven total offices.

It located two offices in Grand Junction, one office in Collbran, and one office in Fruita, all in Mesa County and the Grand Junction MSA. Three offices resided in middle-income tracts and one resided in a moderate-income tract. Grand Valley Bank also maintained five automated teller machines in the MSA; however, none accept deposits. The assessment area contained no low-income tracts, 5 moderate-income, 16 middle-income, and 7 upper-income tracts.

Major industries based on number of jobs in the MSA include service, retail, and government. The largest employers in Mesa County include Mesa County School District, St. Mary's Hospital, Mesa State College, Halliburton Energy, and Wal-Mart. A community contact stated that national manufacturing picked up, slowly expanding in the assessment area. Layoffs began to slow, but the local economy remains sluggish and businesses scaled back due to the economic slowdown. As of June 2010, Mesa County reported an unemployment rate of 9.3 percent compared to the June 2010 national unemployment rate of 9.5 percent and the State of Colorado unemployment rate at 7.9 percent. Table 3 provides demographic information for the MSA.

Table 8 – Demographic Information for Grand Junction MSA Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	28	0.00	17.86	57.14	25.00	0.00
Population by Geography	116,255	0.00	17.70	60.49	21.81	0.00
Owner-Occupied Housing by Geography	33,306	0.00	14.19	60.18	25.63	0.00
Business by Geography	15,011	0.00	25.05	51.31	23.64	0.00
Farms by Geography	640	0.00	6.09	72.66	21.25	0.00
Family Distribution by Income Level	31,729	0.00	19.63	23.69	39.28	0.00
Families Below Poverty Level Unemployment Percentages (June 2010): Mesa County, CO State of Colorado United States		7.03% 9.3% 7.9% 9.5%	Median Housing Value Median Family Income for 2008 HUD Adjusted Median Family Income for 2009		119,518 55,000 57,200	

Source: 2000 Census, 2008 & 2009 HUD updated MFI.

The U.S. Census Bureau data recorded a 2000 Median Family Income (MFI) of $43,015 for the Grand Junction Metropolitan Statistical Area (MSA #24300). The Department of Housing and Urban Development (HUD) estimated MFIs for the Grand Junction MSA for 2008 and 2009 at $55,000 and $57,200, respectively.

This evaluation based the census tract income designations on the 2000 Census income data for the geographic loan distribution performance factor. Examiners based the borrowers' income designations on the HUD estimated MFIs for the Grand Junction MSA, depending on the loan's origination date, for the borrower profile loan distribution performance factor. The following table shows the applicable MFI figures and corresponding income levels.

Table 9 – Income Levels for the Grand Junction MSA			
Income Level (% of MFI)	**2000 Range $43,015**	**2008 Range $55,000**	**2009 Range $57,200**
Low (Less than 50%)	Less than $21,508	Less than $27,500	Less than $28,600
Moderate (50% to <80%)	$21,508 to < $34,412	$27,500 to < $44,000	$28,600 to < 45,760
Middle (80% to <120%)	$34,412 to < $51,618	$44,000 to < $66,000	$45,760 to < $68,640
Upper (120% and over)	$51,618 and over	$66,000 and over	$68,640 and over

Source: 2000 U.S. Census; 2008 and 2009 HUD estimated Median Family Incomes

CONCLUSIONS FOR THE STATE OF COLORADO
(GRAND JUNCTION MSA AA – MESA COUNTY)

Borrower Profile Loan Distribution

The bank demonstrated a reasonable record of dispersing its loans based on the borrowers' profiles. A reasonable record regarding home mortgage loans primarily supports this conclusion. This factor only considered loans granted in the Grand Junction MSA Assessment Area (AA).

Residential Real Estate Loans

The institution exhibited a reasonable record of dispersing its home mortgage loans in Colorado based on the borrowers' profiles. Examiners focused on the percentage of the number of loans granted to low-income borrowers in 2008 as well as the trend to moderate-income borrowers relative to the aggregate data when arriving at this conclusion.

The following table shows that to low-income borrowers, the bank's 2008 percentage nearly tripled, and the 2009 percentage did triple, the aggregate level. The bank's relative levels reflect strong performance to low-income borrowers. By contrast, the bank's percentage in 2008 to moderate-income borrowers represented less than half of the aggregate level. While this level would typically reflect unreasonable performance, the institution nearly doubled its 2008 percentage in 2009, up to a reasonable level. This increase occurred despite the 48 percent decline in single family, new construction permits and rising unemployment experienced in Mesa County during this same time period.

Consequently, given the strong performance to low-income borrowers and the notable upward trend to a reasonable level to moderate-income borrowers, the institution exhibited a reasonable record of dispersing its home mortgage loans.

Table 10 – Borrower Profile Loan Distribution of Residential Mortgage Loans

Borrower Income Level	% of Owner-Occupied Housing Units	2008 Aggregate Lending Data (% of #)	HMDA 2008		HMDA 2009	
			#	%	#	%
Low	17	3	5	8	10	9
Moderate	20	13	3	5	10	9
Middle	24	24	17	26	24	21
Upper	39	42	34	51	69	60
Income Not Reported	NA	18	7	10	2	1
Total	**100**	**100**	**66**	**100**	**115**	**100**

*Sources: 2000 U.S. Census * Approximately 7 percent of the family population is living below the poverty level, leaving approximately 10 percent of the low-income families in a potential borrowing capacity.*

Small Business Loans

Grand Valley Bank displayed a solid record of dispersing its small business loans based on the borrowers' profiles. Examiners focused on the percentage of the number of loans granted to entities with gross annual revenues of $1 million or less as well as in the smaller revenue categories, relative to the D&B data when arriving at this conclusion.

The following table shows that the bank granted all of the sampled loans to businesses that reported gross annual revenues of $1 million or less. In addition, the institution extended over one-half of its loans to entities that reported gross annual revenues of less than $100,000, as compared to only 44 percent of the businesses reporting such revenues. Consequently, given the performance level to companies with revenues of $1 million or less supplemented by the performance level in the two lowest revenue categories, Grand Valley Bank displayed a solid record of dispersing its small business loans based on the borrowers' profiles.

Table 11 – Borrower Profile Loan Distribution of Commercial Loans					
Gross Annual Revenue	**Percent of Businesses by Gross Annual Revenues***	**Number**	**Percent**	**Dollar Volume ($000s)**	**Percent**
Less than $50,000	14	3	13	68	4
$50,000 to $99,999	30	9	38	365	22
$100,000 to $249,999	37	6	25	458	27
$250,000 to $499,999	9	2	8	272	16
$500,000 to $1 million	5	4	16	519	31
Subtotal ≤ $1 million	***95***	***24***	***100***	***1,682***	***100***
Over $1 million	5	0	0	0	0
Grand Total	**100**	**24**	**100**	**1,682**	**100**

*Source: *2009 D&B Data; Bank Records*

Geographic Loan Distribution

The bank established an adequate record of geographically distributing its loans throughout its Colorado assessment area. An adequate record regarding home mortgage loans primarily supports this conclusion. This factor only considered loans granted inside the Grand Junction MSA assessment area. As previously noted, the assessment area did not contain any low-income geographies.

Residential Real Estate Loans

The institution achieved an adequate record of geographically distributing its residential mortgage loans. When arriving at this conclusion, examiners focused on the bank's percentage for 2008 of its number of loans in moderate-income census tracts relative to the aggregate data.

The following table shows that for 2008, the bank's percentage trailed the applicable aggregate figure; however, it remained with an adequate range. The drop noted in 2009 detracted from the institution's record. However, given that the notable percentage drop occurred only because of an actual decline of two loans, this analysis placed limited weight on the drop in 2009, and instead, focused on the 2008 level. Consequently, the institution achieved an adequate record of geographically distributing its home mortgage loans.

Table 12 – Geographic Loan Distribution of Residential Mortgage Loans						
Census Tract Income (Number of Tracts)	**% of Owner-Occupied Housing Units**	**2008 Aggregate Lending Data (% of #)**	**HMDA 2008**		**HMDA 2009**	
			#	%	#	%
Moderate (5)	14	16	7	10	5	4
Middle (16)	60	64	44	67	81	71
Upper (7)	26	20	15	23	29	25
Total (28)	**100**	**100**	**66**	**100**	**115**	**100**

Sources: 2000 U.S. Census

Small Business Loans

Grand Valley Bank's performance reflected an acceptable record of geographically distributing its small business loans throughout the Colorado assessment area. This analysis focused on the bank's percentage of its number of loans in moderate-income census tracts and somewhat in middle-income tracts relative to the D&B data when arriving at this conclusion.

The following table shows that the percentage of the number of the bank's loans in moderate-income geographies trailed the D&B figure; however, it remained with an acceptable range. The bank's level in middle-income areas also lends support to the bank's acceptable record. As seen, the bank granted three-fourths of its loans in middle-income geographies, which contain over half of the assessment area's businesses. Consequently, given the acceptable level in moderate-income tracts and the understandable concentration in middle-income areas, Grand Valley Bank's performance reflected an acceptable record.

Table 13– Geographic Distribution of Small Business Loans					
Census Tract Income (Number of Tracts)	**Percent of Small Businesses***	**Number**	**Percent**	**Dollar Volume ($000s)**	**Percent**
Moderate (5)	25	4	17	112	7
Middle (16)	51	18	75	1,515	90
Upper (7)	24	2	8	55	3
Total (28)	**100**	**24**	**100**	**1,682**	**100**

*Source: *2009 D&B Data; Bank Records*

STATE OF UTAH

CRA RATING FOR Utah: ***Satisfactory***

Reasonable records of distributing loans, both geographically and based on the borrowers' profiles, support the overall rating for the State of Utah.

SCOPE OF EXAMINATION

Since the bank only operated in non-metropolitan (non-MSA) areas in the State of Utah, examiners applied full-scope procedures to the institution's two assessment areas in Utah. Since both assessment areas represent non-MSAs, this evaluation combined both assessment areas for analysis and presentation purposes.

Covering the same time period discussed under the Institution's Scope, the following table shows that the bank's lending emphasis in Utah favors small business loans, contrary to the bank's overall lending emphasis. Consequently, conclusions and ratings for the State of Utah primarily focused on performance regarding small business loans. When evaluating small business loans in Utah, examiners considered a sample of 24 loans totaling $6,834,267 from the universe noted in the table.

Table 14 - Loan Originations & Purchases				
Loan Type	**Number**	**Percent**	**Dollar Amount ($000)**	**Percent**
Small Business	32	72.7	$7,684	80.4
Home Mortgage	12	27.3	$1,876	19.6

DESCRIPTION OF INSTITUTION'S OPERATIONS IN UINTAH AND WASATCH COUNTIES, UTAH: NON-METROPOLITAN AREAS

The bank designated two assessment areas, Uintah County and Wasatch County, in the State of Utah. Both counties represent non-metropolitan areas. The areas conform to the regulation. As previously noted, the institution's operations in Utah included only 20 percent of the bank's total loans, just under 23 percent of its total deposits, and three of the bank's seven total offices.

The institution located one office in Uintah County, Midway, and the other two in Wasatch County, Heber City and Vernal. Two of these offices reside in middle-income geographies and one resides in an upper-income geography. Grand Valley Bank also operated automated teller machines in Utah; however, none accept deposits.

Wasatch County lies in North Central Utah. Heber City, along with the immediate surrounding area in the valley, contains the largest population center in Wasatch County, which also includes the town of Midway, located approximately three miles west of Heber City. Wasatch County consists of four census tracts. The only moderate-income tract, 9403, covers the eastern portion of Wasatch County and remains largely unpopulated, with only 33 people. Another tract, 9925, contains only 4 people with no income designation.

Uintah County is located on the northeastern edge of Utah where it borders Colorado. It includes the towns of Vernal, Naples, and Maeser. Uintah County consists of five census tracts with two tracts designated as moderate-income. The moderate income tracts 9401 and 9402 mainly encompass raw land and part of the Uintah and Ouray Indian Reservation. Tract 9401 contains a population of only 629 people.

According to the Utah Department of Workforce Services, the Uintah and Wasatch Counties' economies experienced notable economic downturns. While the development of oil and gas resources expanded the economy in 2007 and 2008, the collapse of oil prices during 2009 led to extensive job losses in the mining industry as well as a significant decline in the construction industry. In 2009 the assessment area experienced an average decrease of 73 percent in new residential building permits and an average decrease of 69 percent total construction value. The largest employers in the two counties include the local school systems, county government, Wal-Mart, and Halliburton Energy Services. Table 9 provides demographic information for the non-MSA assessment area.

Table 15 – Demographic Information for Wasatch and Uintah County Non-MSA Area

Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	9	0.00	33.33	44.44	11.11	11.11
Population by Geography	40,439	0.00	11.90	68.84	19.25	0.01
Owner-Occupied Housing by Geography	10,124	0.00	11.22	68.20	20.57	0.00
Business by Geography	5,787	0.00	4.73	71.71	23.55	0.00
Farms by Geography	198	0.00	11.11	61.62	27.27	0.00
Family Distribution by Income Level	10,396	16.56	17.04	23.93	42.47	0.00
Families Below Poverty Level		9.08%	Median Housing Value		130,840	
Unemployment Percentages (June 30, 2010):						
Wasatch County, UT		8.9%	Median Family Income for 2008		49,300	
Uintah County, UT		6.9%				
State of Utah		7.2%	HUD Adjusted Median Family Income for 2009		51,800	
United States		9.5%				

Source: 2000 Census, 2008 & 2009 HUD updated MFI.

The U.S. Census Bureau recorded a 2000 Median Family Income (MFI) of $41,239 for Utah's statewide non-metropolitan areas (non-MSA). The Department of Housing and Urban Development (HUD) estimated MFIs for Utah's non-MSAs for 2008 and 2009 at $49,300 and $51,800, respectively.

This evaluation based the census tract income designations on the 2000 Census income data for the geographic loan distribution performance factor. Examiners based the borrowers' income designations on the HUD estimated MFIs for the Utah non-MSAs, depending on the loan's origination date, for the borrower profile loan distribution performance factor. The following table shows the applicable MFI figures and corresponding income levels.

Table 16 – Income Levels for the Wasatch and Uintah Counties Non-MSA			
Income Level (% of MFI)	**2000 Range $41,239**	**2008 Range $49,300**	**2009 Range $51,800**
Low (Less than 50%)	Less than $20,620	Less than $24,650	Less than $25,900
Moderate (50% to <80%)	$20,620 to < $32,991	$24,650 to < $39,440	$25,900 to < 41,440
Middle (80% to <120%)	$32,991 to < $49,487	$39,440 to < $59,160	$41,440 to < $62,160
Upper (120% and over)	$49,487 and over	$59,160 and over	$62,160 and over

Source: 2000 U.S. Census; 2008 and 2009 HUD estimated Median Family Incomes

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN UTAH (WASATCH AND UINTAH COUNTIES NON-METROPOLITAN AREAS):

Borrower Profile Loan Distribution

The bank demonstrated a reasonable record of dispersing its loans based on the borrowers' profiles. A reasonable record regarding small business loans primarily supports this conclusion. This factor only considered loans granted inside the two non-MSA assessment areas.

Small Business Loans

Grand Valley Bank displayed a reasonable record of dispersing its small business loans based on the borrowers' profiles. Examiners focused on the percentage of the number of loans granted to entities with gross annual revenues of $1 million or less relative to the D&B data when arriving at this conclusion.

The following table shows that the bank granted a significant majority of the sampled loans to businesses that reported gross annual revenues of $1 million or less. Although nearly all of the areas' businesses reported such revenues, the bank's figure falls within a reasonable range of the D&B level. Consequently, given the performance level to companies with revenues of $1 million or less, Grand Valley Bank displayed a reasonable record of dispersing its small business loans based on the borrowers' profiles.

Table 17 – Borrower Profile Loan Distribution of Commercial Loans					
Gross Annual Revenue	**Percent of Businesses by Gross Annual Revenues***	**Number**	**Percent**	**Dollar Volume ($000s)**	**Percent**
Less than $50,000	33	2	9	245	6
$50,000 to $99,999	26	1	5	10	<1
$100,000 to $249,999	25	7	30	1,285	34
$250,000 to $499,999	9	7	30	753	20
$500,000 to $1 million	4	3	13	532	14
Subtotal < $1 million	***97***	***20***	***87***	***2,825***	***74***
Over $1 million	3	3	13	971	26
Grand Total	**100**	**23**	**100**	**3,796**	**100**

*Source: *2009 D&B Data; Bank Records*

Residential Real Estate Loans

The institution exhibited an adequate record of dispersing its home mortgage loans in Utah based on the borrowers' profiles. Examiners focused on the total percentages for 2008 and 2009 combined of the number of loans granted to low-, moderate-, and upper-income borrowers relative to the aggregate data when arriving at this conclusion. The bank only granted 12 reportable residential real estate loans during 2008 and 2009. Because of this low number of originated loans, analyzing the lending patterns for both years combined provided a more reasonable number on which to base conclusions than did each year separately.

The following table shows that the bank did manage to grant one loan to a low-income borrower and one loan to a moderate-income borrower over the two-year period reviewed. These loans translated into percentages that adequately relate to those for the aggregate to low- and to moderate-income borrowers. The table also shows that the bank granted two-thirds of its loans to upper-income borrowers. While high, this level does not fall beyond an adequate range of the aggregate figure, although the bank's volume came at the expense of middle-income borrowers.

Consequently, considering both years combined, and given the adequate lending level to low- and to moderate-income borrowers, and the not unreasonable level to upper-income borrowers, the institution exhibited an adequate record of dispersing its home mortgage loans.

Table 18 – Borrower Profile Loan Distribution of Residential Mortgage Loans						
Borrower Income Level	**% of Owner-Occupied Housing Units**	**2008 Aggregate Lending Data (% of #)**	**HMDA 2008**		**Total 2008 & 2009**	
			#	%	#	%
Low	17	1	1	14	1	8
Moderate	17	6	0	0	1	8
Middle	24	22	0	0	1	8
Upper	42	60	5	72	8	67
Income Not Reported	NA	11	1	14	1	9
Total	**100**	**100**	**7**	**100**	**12**	**100**

*Sources: 2000 U.S. Census * Approximately 9 percent of the family population is living below the poverty level, leaving approximately 8 percent of the low-income families in a potential borrowing capacity.*

Geographic Loan Distribution

The bank established a reasonable record of geographically distributing its loans throughout its Utah assessment areas. A reasonable record regarding small business loans primarily supports this conclusion. This factor only considered loans granted inside the non-MSA assessment areas. As previously noted, the assessment areas did not contain any low-income geographies.

Small Business Loans

Grand Valley Bank's performance reflected a reasonable record of geographically distributing its small business loans throughout the Utah assessment areas. This analysis focused on the bank's percentage of its number of loans in moderate- and somewhat in middle-income tracts relative to the D&B data when arriving at this conclusion.

The following table shows that the percentage of the number of the bank's loans in moderate-income geographies approximated the D&B figure, even though it represented just one loan. The bank's level in middle-income areas also lends support to the bank's reasonable record. As seen, the bank granted nearly two-thirds of its loans in middle-income geographies, which contained almost three-fourths of the areas' businesses. Consequently, given the acceptable level in moderate-income tracts and the understandable concentration in middle-income areas, Grand Valley Bank's performance reflected a reasonable record.

Table 19– Geographic Distribution of Small Business Loans

Census Tract Income (Number of Tracts)	Percent of Small Businesses*	Number	Percent	Dollar Volume ($000s)	Percent
Moderate (3)	5	1	4	15	<1
Middle (4)	72	15	63	6,020	88
Upper (1)	23	8	33	799	12
NA (1)	0	0	0	0	0
Total (28)	**100**	**24**	**100**	**6,834**	**100**

*Source: *2009 D&B Data; Bank Records*

Residential Real Estate Loans

The institution achieved an acceptable record of geographically distributing its residential mortgage loans. Examiners focused on the total percentages for 2008 and 2009 combined of the number of loans granted in moderate- and somewhat in middle-income census tracts when arriving at this conclusion. The bank only granted 12 reportable residential real estate loans during 2008 and 2009. Because of this low number of originated loans, analyzing the lending patterns for both years combined provided a more reasonable number on which to base conclusions than did each year separately.

The table below shows that for the total, the bank's percentage slightly exceeded the aggregate level, even though the bank's percentage represented just one loan. The bank's level in middle-income areas also lends support to the bank's acceptable record. As also seen, during the two years combined the bank granted well over one-half of its loans in middle-income areas, where the aggregate granted nearly three-fourths of its loans. Although the bank's percent trailed the aggregate figure in the middle-income areas, the institution's level still fell within an acceptable range of the aggregate percentage. Consequently, given the acceptable levels in moderate- and middle-income tracts, Grand Valley Bank's performance reflected an acceptable record.

Table 20 – Geographic Loan Distribution of Residential Mortgage Loans						
Census Tract Income Level (# of Tracts)	**% of Owner-Occupied Housing Units**	**2008 Aggregate Lending Data (% of #)**	**HMDA 2008**		**Total 2008 & 2009**	
			#	%	#	%
Moderate (5)	11	5	1	14	1	8
Middle (16)	68	72	4	57	7	59
Upper (7)	21	23	2	29	4	33
Total (28)	**100**	**100**	**7**	**100**	**12**	**100**

Sources: 2000 U.S. Census

APPENDIX A

SCOPE OF EXAMINATION TABLE

Institutions with multiple assessment areas or affiliates subject to examination may warrant the use of charts that convey information regarding the scope of the examination. The following chart may be used as a supplement to the discussion of the scope or in lieu thereof.

Grand Valley Bank
SCOPE OF EXAMINATION: The evaluation included reviews of the following (1) home mortgage lending for 2008 and 2009 and (2) commercial (small business) loans. One community contact from the MSA assessment area was performed during the evaluation.
TIME PERIOD REVIEWED: Home mortgage loans from January 1, 2008 to December 31, 2009; commercial (small business) loans from January 1, 2009 to June 31, 2010.
PRODUCTS REVIEWED: HMDA-related mortgage loans, commercial (small business loans).

LIST OF AFFILIATES AND PRODUCTS REVIEWED

AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
None	NA	NA

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION

ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
Grand Junction, CO, MSA #24300	Full Scope	One	N/A
Uintah and Wasatch Counties, Utah (Non-MSA)	Full Scope	N/A	N/A

APPENDIX B

GENERAL DEFINITIONS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, it a person or geography is located outside an MSA.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies.   The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division

(MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units**.**

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.